

**SYMPOSIUM: RESOLVING IRELAND'S FISCAL CRISIS**

**Institutional Design and Irish Political Reform**

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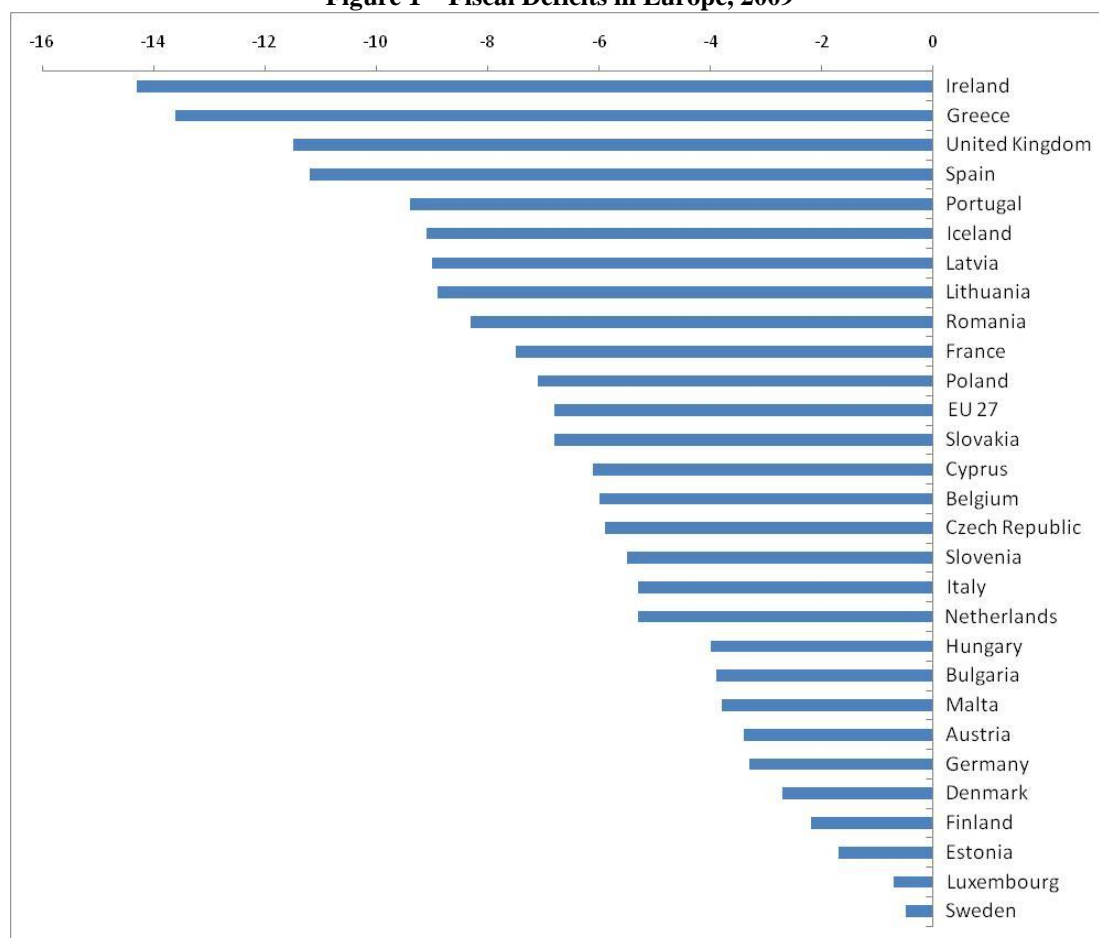
*(read before the Society, 26<sup>th</sup> November 2009)*

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**1. INTRODUCTION**

The economic crisis that engulfed Ireland in 2008 presented an unprecedented political challenge to political processes in Ireland. Ongoing sharp contraction in year-on-year growth resulted in a sudden and dramatic increase in unemployment, from virtually full employment at mid-decade to about 14% in mid-2010. The projected burden involved in rescuing the distressed financial system crept steadily upwards, as estimates of the value of property and other assets held against loans were scaled down. As Figure 1 shows, the principal component of the government's primary fiscal deficit amounted to about 14% of GDP in 2009, an extraordinarily large problem in the context of Ireland's commitment under the terms of the Stability and Growth Pact to restore the deficit to under 3% by 2014.

**Figure 1 – Fiscal Deficits in Europe, 2009**



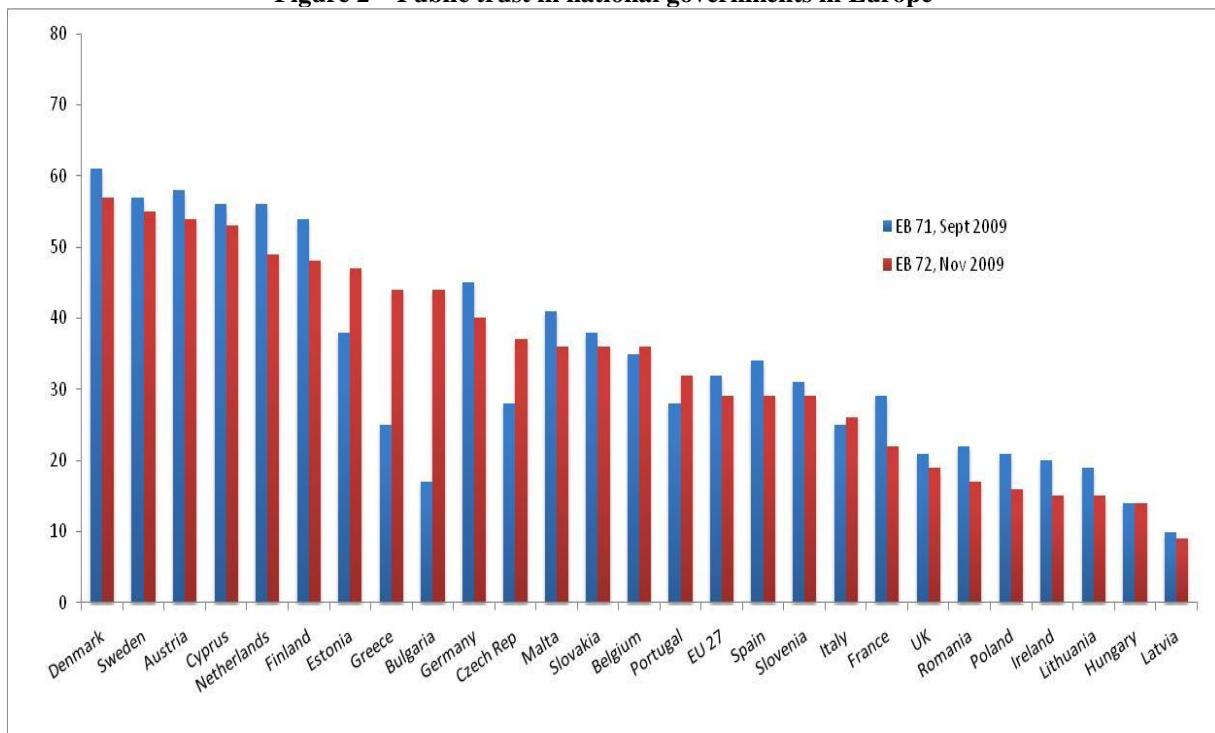
Source: General government deficit as % GDP, 2009, Eurostat. Accessed 23 April 2010.

But the additional estimates of approximately €50bn required to stabilize the financial sector (albeit spread over a number of years) brought the deficit to some 32% of GDP by autumn 2010, an astonishing and quite unprecedented sum.

Ireland’s problems are of course part of a much wider crisis. The EU is experiencing ‘the deepest, longest and most broad-based recession in its history’ (European Commission 2009). Ireland’s membership of the Eurozone provided a buffer against the consequences of financial system crisis that was not available to Iceland; but this also meant that currency devaluation to ease the way back into competitiveness and recovery, as in 1986 and again in 1993, was not an option. A resumption of international growth has also historically been vital to easing adjustment problems in Ireland. The prospects of renewed growth trends across the EU may depend as much on German responses to crisis as on EU-led coordinating measures. Meanwhile, the dominant domestic strategy to address economic crisis was based on fiscal retrenchment and improving domestic competitiveness adjustments. This is equivalent to an ‘internal devaluation’, but unlike across-the-board currency devaluation, the costs tend to be unevenly distributed (Weisbraut and Ray 2010).

Among the smaller European states, Ireland’s crisis is not the very worst. It has not suffered the calamities that Iceland or Latvia have had to endure. To date, there have not been street riots as happened in Greece. But the nature and scale of the challenges are very much greater than, for example, Denmark or the Netherlands, countries with which Ireland generally prefers to compare itself. Ireland may not have experienced a full-scale political crisis. But the Irish political system enjoys considerably lower levels of confidence than almost all other European countries, as Figure 2 shows.

**Figure 2 – Public trust in national governments in Europe**



Source: Eurobarometer, [http://ec.europa.eu/public\\_opinion/index\\_en.htm](http://ec.europa.eu/public_opinion/index_en.htm)

This level of public cynicism toward government and the political process is all the more corrosive because the decisions that have to be taken will inevitably worsen disposable incomes, living standards, and the quality of services available to citizens. Politics is the art of, among other things, sustaining good decision-making capabilities. Building consent and legitimacy is essential for any feasible recovery strategy. But how adjustments are made, to whom, under what conditions, and with what effects, are profoundly political and not merely technical questions. The arguments between government and opposition have centred more on timing and composition of adjustment than on their inevitability. Even within accepted technical constraints, trade-offs are not only likely but inevitable. And without a broad public discourse about ends and means, and winners and losers, securing popular consent for a politics of austerity over the longer term may be a good deal more difficult.

Popular disengagement from Irish politics is not new. But the crisis has brought into sharp focus a number of features of the Irish political process which were known to be in need of review. During a boom, precisely when it might be thought to be easiest to manage reform, it is all too easy to overlook poor levels of performance. In hard times this is no longer possible. Much contemporary debate centres on what might be thought to be obvious sources of shortcomings in Irish politics, but public debate may not always engage with the real problems. For example, electoral system reform recurs as a theme in current public discourse. But this has been considered repeatedly by expert review groups and academic commentators over the years. Many recommendations are made, for example by the Oireachtas Joint Committee on the Constitution, for improving the way in which PR-STV is implemented. But changing the electoral system alone would be unlikely to address many of the shortcomings which critics have identified in the quality of political deliberation and decision-making. Voters tend to rely on national politicians as a conduit for accessing services, and politicians believe they must engage in heavy workloads of local constituency service to retain their seats in general elections. But this may not have much to do with the electoral system itself, and more to do with voter expectations, with the weaknesses of local government, with the bureaucratic difficulties of getting welfare entitlements or making local as well as national government responsive to local concerns. These are areas that surely need attention first and foremost, before we consider changing the entire electoral system (Gallagher and Komito 2010; Sinnott 2010).

Three clusters of issues frequently attract attention in debates about the defects in the Irish political system. The first concerns the quality of political representation, that is, the kind of people attracted into public life, and the scope for them to engage in national-level policy deliberation as opposed to committing time to constituency-level service activities. Allied with this is the sense that the mechanisms are weak for ensuring appropriate levels of political accountability for poor-quality policy decisions, and of administrative accountability for poor policy implementation or poor stewardship of public resources. The second issue has to do with the quality of public administration and of the policy advice flowing into political decision-making. The third concern is about the way in which fiscal policy is made; the European Union has flagged this as an area in which increased levels of European surveillance can be expected in to the future. This paper therefore considers these three facets of Irish public life: the institutional framework of government and accountability, the organization of public administration, and the institutional context of fiscal policy.

## **2. THE QUALITY OF REPRESENTATIVE GOVERNMENT AND OF POLITICAL ACCOUNTABILITY**

The main concern expressed about the electoral system is that it does not supply us with people who are skilled in specific policy areas. We might consider two issues that arise in this connection. Firstly, we should consider what the conventional Irish pattern of recruitment to government looks like in comparative perspective. Secondly, we need to consider the opportunities to improve recruitment and quality of debate across both chambers.

The manner of appointing government Ministers is quite varied across democratic countries, as Figure 3 shows.

**Figure 3 – Models of appointment to parliamentary executives**

	<b>Westminster-type systems</b>	<b>Complete separation of executive and legislature</b>	<b>Mixed models</b>
Recruitment	Ministers must come from within parliament, including the upper house. Some key personnel have to come from the lower house.	No minister may also hold a seat in the legislature and must resign seat if appointed to government. Not necessarily appointed from the legislature.	Ministers may but need not be from parliament. They may keep their seats in the legislature. Mixed practices on appointing non-parliamentary or experts as ministers.
Examples	Ireland Britain	France Netherlands Norway	Most West European democracies

Source: From (Gallagher, Laver and Mair 2005) and (Strøm, Müller and Bergman 2006).

The Irish pattern of recruitment to government is quite unusual in European terms: no other system relies as heavily on elected representatives for its government ministers. There is a constitutional provision for Irish governments to make up to two cabinet appointments from the Seanad, if it so wishes.<sup>1</sup> In Britain, governments have not infrequently identified people with talents they want to include in government, appointed them to the House of Lords, then recruited them immediately as cabinet ministers. However, the modest Irish provisions have been used very seldom indeed, even though the Taoiseach has the power to appoint up to 11 people directly to the Seanad. The restriction on Irish government practice is not only constitutional though, and is believed to inhere in political considerations arising from party politics. When most ministers are appointed directly from the Dáil, considerations of the geographical spread of preferment must be factored into the governing party's vote-maintenance strategy. And when party political considerations are paramount, the distribution of benefits within the parliamentary party, such as ministerial and junior ministerial appointments, as well as committee chairs, vice-chairs, convenors (ie committee whips) and other status-enhancing and salary-boosting positions, is jealously monitored.

Furthermore, Ireland also stands out as having an unusually high level of executive dominance over legislative practices, in comparative European context, as Figure 4 indicates.

**Figure 4 – Index of executive dominance over the legislature**

<b>High</b>	Greece 5 Ireland 4 UK 4
<b>Medium</b>	Germany 2 France 1 Netherlands 1 Portugal 1 Spain 0.5
<b>Low</b>	Belgium -1 Denmark -1 Finland -1 Italy -1 Norway -1 Iceland -2 Sweden -4

NOTE: This index is derived from Döring 2001, Tables 1 and 2. Table 1 itemizes executive-enhancing legislative rules. These have been recoded as a sum of pluses and minuses to provide a single score. Table 2 itemizes committee-strengthening parliamentary rules; a single score was similarly derived from this. The total from Table 2 was subtracted from Table 1 to give an index of executive dominance.

What this index summarizes is the degree to which government is able to prevail over parliamentary deliberation, especially the work of parliamentary committees, in areas such as setting the agenda for debate, amending legislative proposals, establishing the timetable for and duration of debates, and voting independently of party discipline. It may be considered an advantage to government to have strong powers to prevail over the legislature when it comes to enacting controversial legislation, and indeed when difficult budgetary measures are under consideration, the combination of strong party discipline and a weak role for the parliamentary opposition role gives Irish and British governments wide discretionary powers to force through stabilization measures. Only the Greek government, in this index, is more powerful; but it is frequently constrained by the inertia built into policy implementation due to the deep partisan divisions in the party system, a conflictual industrial relations system, and weak bureaucratic structures (Featherstone 2005; Gemenis and Dinas 2010). However, it could not be argued that the quality of political debate or of decision-making is markedly inferior in those societies featuring more powerful legislatures. To the contrary: it may well be that the disabling of active parliamentary engagement in policy debate is itself a significant part of the problem in Irish political life. And as we shall see, strong executive discretion also facilitates precisely the kind of pro-cyclical fiscal policy that contributed to the current crisis.

<sup>1</sup> Bunreacht na hÉireann states:

‘7. 1° The Taoiseach, the Tánaiste and the member of the Government who is in charge of the Department of Finance must be members of Dáil Éireann.

2° The other members of the Government must be members of Dáil Éireann or Seanad Éireann, but not more than two may be members of Seanad Éireann.’

The rules and standing orders of the Dáil have long been recognized as needing reform in areas such as hours of business, to make them more family-friendly. But it may well be that a more fundamental reform is required to boost the real capacity of the legislature to engage on policy. And if the Dáil then looked more convincing as a real deliberative chamber, and less hidebound by party discipline and partisan point-scoring, the pool of people willing to consider a career in politics could well broaden and the pathways to power could be correspondingly expanded.

The role of the Seanad has also come under critical scrutiny, and abolishing the upper chamber has been proposed by Fine Gael as a cost-saving exercise and as a necessary rationalization. The existence of a second chamber is often defended in constitutional theory not only as a mechanism for introducing different points of view into democratic life through a different mode of political representation, but also as a valuable backstop to decision-making in the lower house, particularly when there are concerns about the dominance of the executive over the legislature. The second or upper chamber often features a territorial basis of representation, as opposed to population-based constituency representation in the lower house. This is frequently the case in federal or otherwise geographically differentiated systems. In unitary systems, it can be somewhat unclear what the purpose of a second chamber should be and how its principles of representation might best be structured, questions that Britain is still grappling with. As Figure 5 shows, Ireland is unique among small countries that are not federal in having two chambers.

**Figure 5 – Unicameral and bicameral parliamentary systems**

	Small countries (<10m)		Medium and large countries (>10m)	
	Unitary	Federal	Unitary	Federal
Unicameral	Cyprus Denmark Estonia Finland Iceland Israel Latvia Lithuania Luxembourg Malta New Zealand Norway Portugal Slovakia Sweden		Greece Hungary	
Bicameral	Ireland	Austria Switzerland	Britain Czech Republic France Italy Japan Netherlands Poland Spain	Belgium Canada Germany United States

Source: (Gallagher et al. 2005).

This is not a compelling reason in itself for thinking that the Seanad has outlived its usefulness. But it does prompt some questions about the current uses made of the Seanad. Although it has a different base of representation than the Dáil, it does not function primarily as a vocationally diverse sector of independent opinion, and has tended to feature similar patterns of party discipline as the lower house. Some politicians' careers feature a spell in the Seanad as well as service in the Dáil, so party loyalty can be an asset. What observers seem to value most about the Seanad is its role as a forum in which government legislative plans can be given a second-chance discussion. But it may be that this role is most actively discharged by the small minority of senators who are not subject to party discipline. These considerations would point toward the need for reform of the basis of representation, and a strengthening of procedures that would serve to weaken party discipline.

Yet changes in the rules of parliamentary behaviour would require the governing party of parties, whoever was in power, to weaken their own strong grip over debate and scrutiny, and to permit both the opposition and their own non-ministerial parliamentarians a more active role in policy deliberation and indeed in getting amendments adopted. Although this has repeatedly been proposed, no government really wants to follow through on it once they gain power. What is lacking is the political will to commit to a reform agenda and to drive it through systematically, knowing it is essential for the quality of Irish democracy, but that it will make the life of incumbent governments more difficult.

Parliamentary committees are the biggest single area in which procedural reform could greatly enhance the policy capabilities of the Irish political system. An innovation of the 1980s, put on a slightly stronger footing during the 1990s, these have been disappointingly weak in Ireland, in contrast with Britain where parliamentary committees have carved out a real niche in independent inquiry (Longley and Davidson 1998; MacCarthaigh 2005; Rhodes, Wanna and Weller 2009). Committees can compel witnesses to attend and can commit time to intensive forensic inquiry, if they wish. But they tend not to have the real expertise to put administrators under pressure. In Britain, for example, a senior academic is routinely seconded to support the work of the Joint Committee on Human Rights on a full-time basis. Irish committees have no such specialist expertise routinely available to them, although they can commission external expert inputs. But their reports and recommendations do not carry the weight with government that they may deserve, and indeed there is no rule that the reports must be responded to by the House. Ultimately, when the chair is in the gift of the government, party discipline tends to prevail over policy scrutiny.

Not quite all committees meet these descriptions: the main exception is probably the Committee of Public Accounts. This considers the reports of the Comptroller and Auditor General on the use of public money. This is the only committee that is routinely chaired by a member of the opposition; its members seek to avoid voting on issues and to reach agreement instead. But even this committee is hindered by lack of resources and lack of specialist knowledge.

The seriousness of not having effective working committees should have become very clear, if it was not before, in light of what we now know about the weaknesses in the banking sector. The Financial Regulator, we now know, was encouraged to adopt a light-touch approach which allowed the banks to engage in enormous risk-taking in the property market and allowed them to move toward grossly insufficient capitalization. The banks were permitted to incur what has been termed an old-fashioned ‘plain vanilla’ financial crisis resulting from a hugely inflated asset-price bubble (Honohan 2010; Regling and Watson 2010). The Economist Intelligence Unit’s report on the Government’s *Review of Regulation* noted that Dáil committees do not have the expertise to question regulators effectively (Economist Intelligence Unit 2009, p.54). The OECD Review of the Irish Public Service also stressed the importance of parliamentary committees to engage in administrative scrutiny (OECD 2008).

There are of course other institutional mechanisms that might compensate to some degree for weak legislative powers: Ireland has introduced a wide range of new accountability and investigatory mechanisms over the last two decades in response to the perceived inability of the Oireachtas to hold the government to account. But these can introduce new kinds of problems. Tribunals of inquiry, for example, are a very expensive means of substituting for strong committee powers of investigation, and may be a good deal less efficient at uncovering information and securing timely accountability (MacCarthaigh 2005; Office of the Comptroller and Auditor General 2009, pp. 21-43). And new methods of monitoring and of enforcing good ethical standards in public life run into further problems of compliance, reliability, and enforcement. Freedom of Information legislation in 1997 was meant to make government more transparent, and accountability easier to enforce. But within a few years, the Fianna Fáil-PD government introduced significant charges that made it expensive to use effectively.<sup>2</sup> And there is some evidence that records are now kept in a form that has been termed ‘opaque transparency’<sup>3</sup>, and that some aspects of official deliberation are not committed to formal records at all.

Finally, the boundaries between political and administrative accountability remain blurred. The Public Service Management Act 1997, in line with public service reform priorities, gave Secretaries General of departments more responsibility and therefore greater accountability for what goes on in their departments, removing the legal fiction that government ministers are personally responsible for all matters under their remit. But it is still not clear that the right balance has been struck (Connaughton 2006). The Travers Report on nursing home charges, for example, found ‘persistent and systemic corporate failure within the Department of Health and Children’ (Travers 2005, para 6.2). The relevant Minister for Health did not believe he had to take the blame,

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<sup>2</sup> Freedom of Information Act 1997 (Fees) Regulation 2003. SI No.264, 2003. <http://www.irishstatutebook.ie/2003/en/si/0264.html>

<sup>3</sup> Michael Casey, ‘Fear and cultural quirks to blame for Ireland’s lack of enterprise’, *Irish Times*, 23 May 2006.

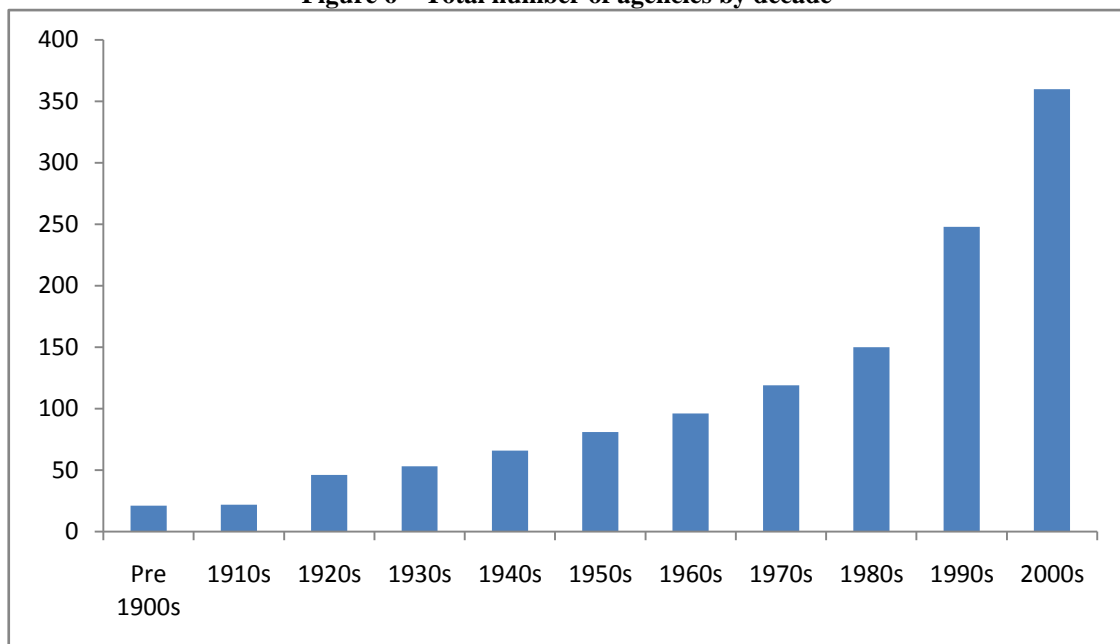
and many clearly believed that the senior civil servant who was required to shoulder official culpability was not personally to blame either. In this area, as in so many issues about mismanagement of resources and poor administrative practices, individual responsibility continues to be all but impossible to apportion: instead, ‘the system is to blame’.<sup>4</sup> But there a real cost in the shape of the erosion of long-term political capital. Without a stronger and enforceable culture of personal responsibility and accountability, it is all but inevitable that poor standards will be tolerated in many areas of public life in the future, no matter what the formal accountability regime might indicate.

### 3. PUBLIC ADMINISTRATION AND ORGANIZATIONAL REFORM

There are many ways in which parliamentary practices could ensure greater political accountability and a better quality of debate over policy, if we really wanted to do this. The same could be said about the public service more generally, where the ‘public service transformation agenda’ has once again become a government priority. This could be seen as long overdue. Public sector reform was meant to have started with the Devlin Report in 1970, then again with the Strategic Management Initiative in the mid-1990s (renamed the Public Service Modernization Agenda), and again in the wake of the 2008 OECD Report (OECD 2008). The problem of how to measure and improve productivity and efficiency within the public service contributed to the collapse of social partnership based talks in December 2009. In the wake of budget cuts to direct pay and social transfers in December 2009, the trade union movement entered a new form of concession bargaining, under conditions of national economic crisis, in the form of the ‘Croke Park Agreement’, in spring 2010. Once again, a public service efficiency drive was on the political agenda.

One of the areas in which both cost containment and efficiency in administrative practices are sought is in assessing the role and purpose of state agencies. As Figure 6 shows, there was a steep increase in the rate of agency creation during the 1990s and 2000s. But it would be premature to assume that this reflects waste in any simple sense, as the recommendations of ‘An Bord Snip Nua’ might seem to indicate (Report of the Special Group on Public Service Numbers and Expenditure Programmes 2009, p.25). We need to consider the role and staffing of agencies in the context of the overall profile, staffing, and expertise of the core civil service itself.

**Figure 6 – Total number of agencies by decade**



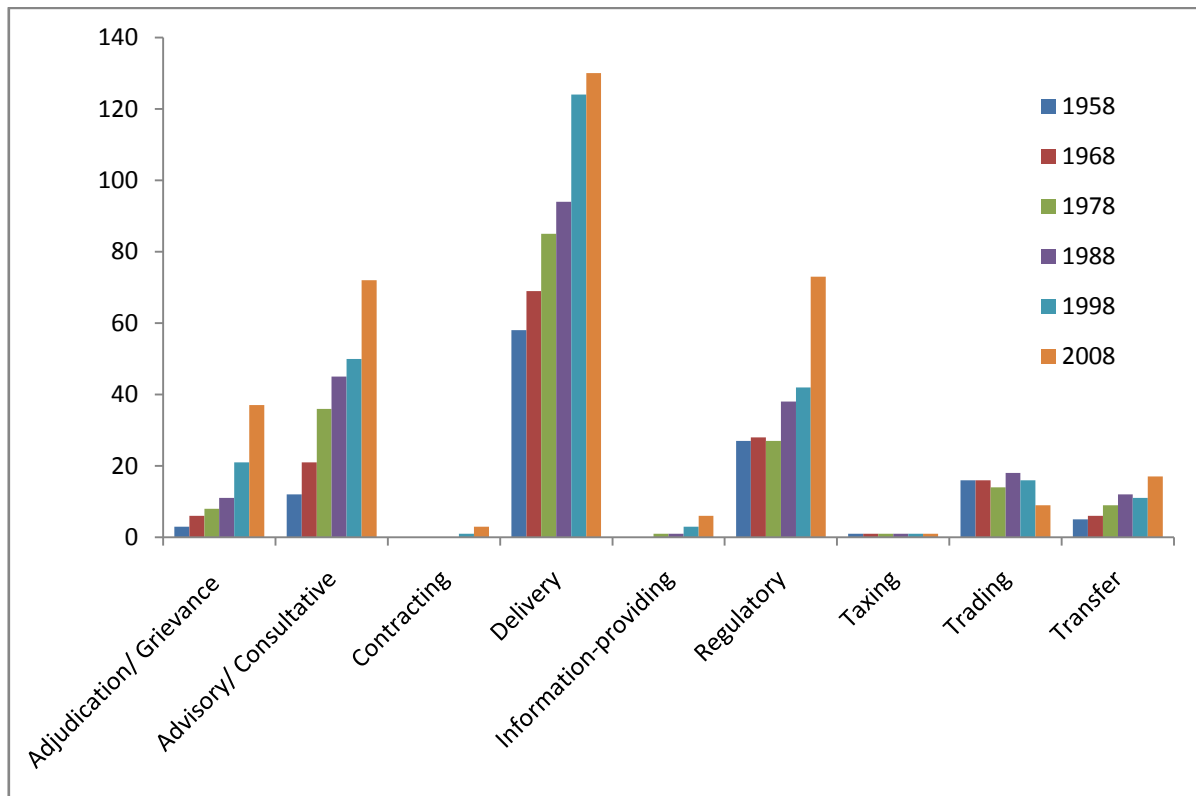
Source: Mapping the Irish State database <http://geary.ucd.ie/mapping>

<sup>4</sup> In the wake of the Leas Cross report on deaths of residents sent by the HSE to a nursing home, the HSE's National Director of Primary, Continuing and Community Care Aidan Browne told the press briefing that the report did not attribute blame to any individual but did identify a significant number of ‘systems failures’. ‘Leas Cross: who is accountable?’ *Irish Health.com*, 10 November 2006. <http://www.irishhealth.com/article.html?id=10552>

The reasons for setting up new bodies are varied. In many other countries, state agencies flow from the philosophy of ‘New Public Management’. This involves trying to make public administration function more like the private sector, disciplined by budgets and performance targets. The workload and staffing of departments is reduced correspondingly (Pollitt and Bouckaert 2004). What is surprising in Ireland is that agencies tend to get set up in addition to the normal business of departments. The OECD report concluded that one of the principal reasons why government ministers created such a large number of new agencies in Ireland was to make it possible to employ more staff without appearing to breach limits on core departmental civil service numbers (Hardiman and MacCarthaigh 2010 forthcoming; OECD 2008, pp.295-8).

An analysis of the functions carried out by agencies, in Figure 7, is instructive.

**Figure 7. Functions of state agencies, 1958-2008**



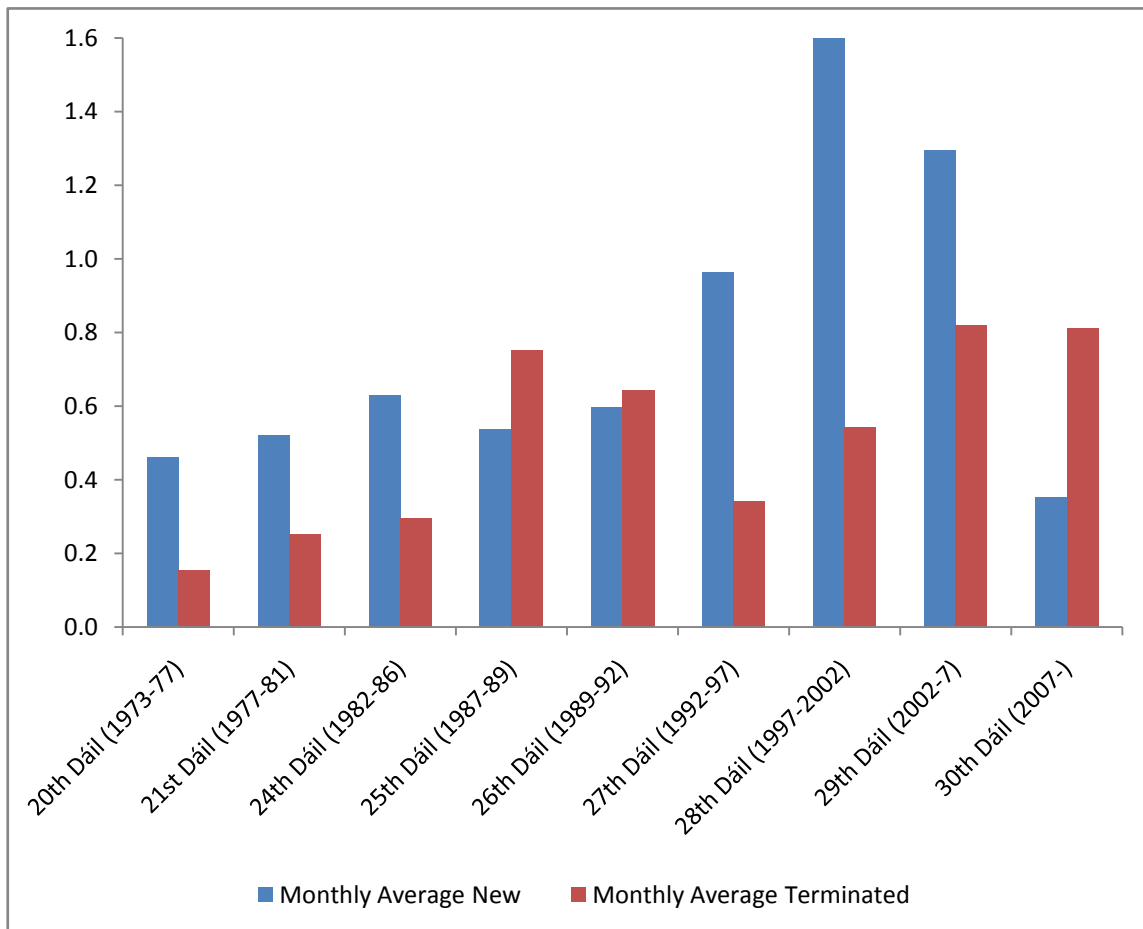
Source: Mapping the Irish State project, <http://geary.ucd.ie/mapping>

Service delivery shows the largest growth, but this has happened in addition to, not instead of, expansion of staff in core service providing departments. The growth of the regulatory state accounts for many of the new agencies. Interestingly, advisory and consultative bodies have also grown rapidly. It seems that one of the problems is the ideas and expectations of civil society groups. In Ireland, it seems, when we identify a problem, we set up an agency to deal with it. Interest groups lobby to get an agency to support their policy area.

The upward trend in agency creation should not obscure the fact that sometimes agencies are closed down too. There are many ways in which an agency’s existence might end: it could simply be abolished; but it might be merged with another agency, or absorbed back into the parent department, or its activities might be split and reapportioned to two or more bodies. But combining all these modes of terminating agencies, we can see that in most periods until the most recent phase, agency creation outstrips agency termination. And as Figure 8 shows, the rate of new agency creation (and of termination) varies considerably over time. Averaging the rates of agency creation and termination by month across governments, we see that the Fianna Fáil-Progressive Democrat government which held power between 1997 and 2002 had the highest rate of new agency creation.



**Figure 8 – Average monthly rate of creation and termination of state agencies by Dáil**



Source: Mapping the Irish State database <http://geary.ucd.ie/mapping>

The problem with a proliferation of agency creation, as the OECD reports, is that the coordination of effort between Departments and their agencies, and across Departments and their respective agencies, is poor. This risks confusing the lines of accountability and results in a duplication of function. The problem is further compounded by the unclear and mixed criteria for appointing board members. The boards of state bodies tend to be political appointees: rather than having the benefit of independent outsider expertise, their boards are often the product of cronyism and patronage (Clancy and Murphy 2006; Clancy, O'Connor and Dillon 2010). There may well be scope for closing some agencies down and amalgamating others, on grounds of efficiency and effectiveness. But more than this, there is clearly scope for what the OECD refers to as joined-up government, for working more cleverly with the resources currently available.

Irish public administration needs a clearer analytical distinction between those areas of administration that need delegated governance, and the rest. Some kinds of work may well be done better at some remove from central government. There is a case for independent regulatory agencies, for example, or Ombudsman offices, that are not part of the core administration (Gilardi 2008; Thatcher and Stone Sweet 2004). But Ireland appears to have more regulatory bodies than other countries, which might well merit analysis – more does not necessarily mean more effective. Industrial policy may have worked better by not being part of the core civil service, for example; the IDA has a lot of operational flexibility to target potential investors and help establish good linkages for them in Ireland (Ó Riain 2004). But all agencies need to earn their keep, to justify their presence, and to be subject to critical scrutiny about whether this really is the best and most efficient way to do a job.

Ensuring value for money in the public sector is difficult, and all the more so in the case of the tangled institutional complexity outlined above. The constitutional office that is charged with doing this is the Comptroller and Auditor-General's (C&AG) Office, which reports to the Dáil Public Accounts Committee (PAC). But in 2009, an internal audit of the role of the office itself found many problems. It has problems doing value-for-money reports in a timely way; there is often quite some time lag because of its ex post role. It is part of the civil service so resources are tight. It is hard for it to track the money committed to many activities, some of which runs through agencies, and more into service delivery through NGOs and the voluntary sector. The C&AG cannot easily follow up on earlier recommendations to ensure that appropriate action has been taken. The Comptroller's appearances before the PAC are less sustained and detailed than their counterpart activities in Britain. The report of the Department of the Taoiseach's Task Force on the Public Service<sup>5</sup>, set up to consider the OECD report on the public service, states that 'all bodies should be required to do input-output reports'. This is surely a basic minimum requirement to tighten up on value-for-money accountability. It would certainly help if parliamentary committees, as noted above, were able to put regulators and value-for-money monitors themselves under more intense scrutiny.

Yet the capacity of the Irish state itself to drive a hard bargain has been problematic, both in public procurements and in negotiations with independent professionals such as in the law or in medicine. The Irish professional classes have enjoyed highly beneficial deals for service delivery. Whether we consider either the old or the new hospital consultants' contracts, or GPs' care for old people or those with medical cards, or lawyers' fees for their attendance at Tribunals whether or not they have to do any work at them, professional remuneration is out of line with comparable European rates of pay.

One of the areas in which departments have been spending increasing amounts of money in recent years is on consultancy reports. A 2007 report by the Comptroller and Auditor General found that the use of consultancies in the Civil Service increased from 983 costing €79.6 million during the three year period 1994-1996, to 1,159 costing €124 million during the two-year period 2004-5 (Office of the Comptroller and Auditor-General 2007, p.185). This is a matter of concern not only because of the money involved, but because the specialized role of the civil service itself – formulation of policy options, provision of specialist advice to government – no longer seems to be carried out to a standard or in a manner that governments are content with.

The model of the Irish civil service is drawn from Whitehall: generalist recruitment, non-specialist careers, learning on the job (J-E Lane 2009). The volume of work and the complexity of policy options have grown considerably. New promotional paths across departments, intended to widen the talent pool, have unintended consequences in that specialist policy understanding built up in one departmental area does not translate to another area, and skills are dissipated. Getting high-quality policy inputs is problematic in this context. Specialist expertise might not be easy to attract and retain without clear recognition for their distinctive role alongside the generalists and a clear career path in view. It is hard to develop specialized skills within the generalist system, and hard to give them real outlet. But there are things that could be done differently and perhaps better. For example, the British civil service has created cross-Whitehall professional cadres such as the Government Economic Service ('the UK's largest recruiter of economists')<sup>6</sup>, and the Government Legal Service<sup>7</sup>, each with its own head. They are responsible both to the units in which they are located and to the wider values and disciplines of their professions.

Rather than accepting the rise of political advisers and recourse to consultancies, the opportunities for the civil service to become exposed to wide ranges of opinion must be increased. Some commentators look back to a freer interchange between senior civil servants and academics during the 1950s, a principal forum for which was the Social and Statistical Inquiry Society of Ireland (SSISI). One could envisage many other ways of opening policy debate to high-powered discussion that would bridge the divide between the specialist arenas such as universities or the ESRI on the one hand, and the practitioners on the other. Daytime seminars in Departments, where wide ranges of opinions can be aired on key policy issues, would open up the exchange of ideas and inform the climate of debate. Drawing more extensively on talented people through short-term specialist employment contracts could be envisaged. Driving organizational change in the public sector is a problem everywhere; there are lessons to be drawn from change management in other jurisdictions.<sup>8</sup>

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<sup>5</sup> [http://www.onegov.ie/eng/Publications/Transforming\\_Public\\_Services.html](http://www.onegov.ie/eng/Publications/Transforming_Public_Services.html)

<sup>6</sup> <http://www.civilservice.gov.uk/networks/professional/ges/index.aspx>

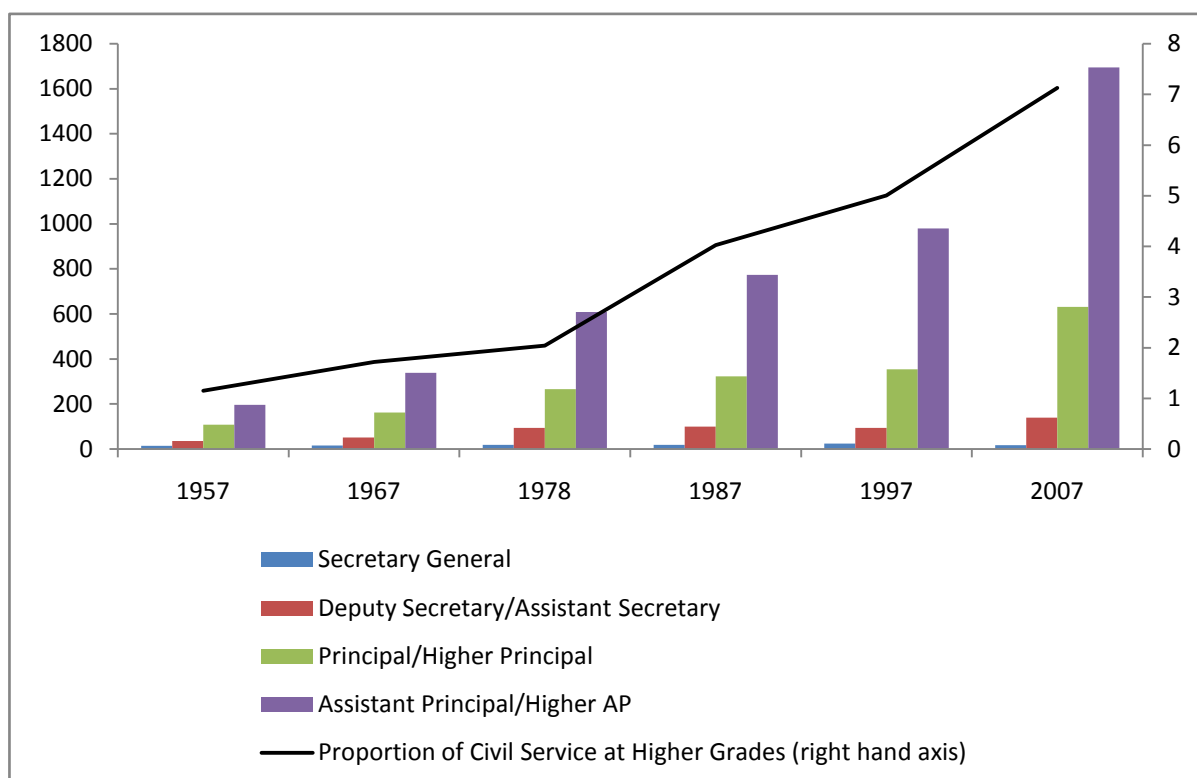
<sup>7</sup> <http://www.gls.gov.uk>

<sup>8</sup> 'A tough search for talent', *Economist*, 29 October 2009.

The capacity to tell ministers things they do not want to hear needs to be protected. Politicians do not always heed official advice, and there should of course be scope for doing this, as long as the minister is then subject to appropriate political accountability, especially if things go wrong. But insofar as senior civil servants may have a concern about their own career prospects, or about whistle-blowing at any level, this hinders ‘speaking truth to power’. It should not be necessary to invoke Freedom of Information to find out most things. We need to move to a position whereby we should expect that issues are normally aired openly, and that vigorous policy debate is encouraged, unless there is very good reason to do otherwise. A presumption of openness should prevail, not a presumption of secrecy unless disclosure turns out to be absolutely unavoidable.

Bringing about all these changes is principally the responsibility of government. Comparative evidence shows that even when the civil service comes up with good ideas about administrative reform, it cannot drive change itself without an effective political sponsor (Hardiman and MacCarthaigh 2010, forthcoming). Governments have not really taken this seriously. Some of the formal aspects of making senior administrators more like private sector managers have been put in place, such as uprating their pay scales, and introducing performance verification groups and performance-related pay bonuses. But while this had immediate effect on pay rates, there was no similar move to open out recruitment. And with no clear measures or targets attached to them, there is no real conditionality involved (Hardiman and MacCarthaigh 2008). There has been an expansion in the number of posts attracting these higher rates of remuneration. Overall, this amounts to a kind of career grade inflation, as Figure 9 suggests.

**Figure 9. Profile of the civil service grade structure, 1957-2007**



Source: (Hardiman and MacCarthaigh 2009)

#### 4. THE INSTITUTIONAL FRAMEWORK OF FISCAL POLICY

But Philip Lane, among others, has identified a persistent trend toward pro-cyclical fiscal policy in Ireland, more than in other European countries. This tends to aggravate a boom, resulting in the need for more painful corrective measures to be imposed during a downturn (Benetrix and Lane 2009; P Lane 1998; 2003). Why might this be so?

To some degree, we might attribute it to the dearth of professional economic analysis within the Department of Finance and the lack of policy involvement on the part of academic economists. But this cannot be the whole story. High-quality economic advice is available across the Irish economy, from staff members of the ESRI, from university-based economists, and from economics staff in private institutions who engage in public comment and debate, and from less intensively specialized but often highly experienced career civil servants. But as noted above, there are few obvious fora for these to interact productively and to work out the implications of divergent analyses or competing interpretations.

Professional economists in Ireland have tended to gravitate toward a neo-classical orthodox position on macro-economic policy since the 1970s. Between 1977 and 1979, the Fianna Fáil government engaged in a short-lived experiment with boosting growth through increased public spending, justified with reference to Keynesian multiplier effects. However, the Irish economy was very open, the quality of the spending boost came under some question, and the employment-increasing effects occurred mainly in the public sector, resulting in a sharp upward drag on government current spending (Honohan 1999). The subsequent experience of the ‘lost decade’ of fiscal correction during the 1980s contributed to the speed with which professional opinion gathered in the late 2000s around a commitment to early and fast fiscal retrenchment as the more effective response to a gaping fiscal deficit. ‘Now we know how to fix a fiscal crisis’, one professional economist was reported to have said.

If the dominant view gains purchase in managing a crisis, what accounts for its apparent inability to shape counter-cyclical priorities during an upturn? Several factors may be considered here. Firstly, there was no real consensus around the desirability of strong counter-cyclical measures. External policy advisers were still commenting on the relatively strong performance of the Irish economy immediately prior to the crisis. Ireland ran a fiscal surplus in most years during the 2000s – albeit an ‘accidental’ rather than a planned surplus. In hindsight, commentators note that insufficient weight was given to structural weaknesses in fiscal performance (O’Leary 2010).

There was a good deal of advice from domestic economic sources that Ireland should have been running a strong surplus during the boom years, both to restrain the housing market and to provide a bolster against a return to more normal growth rates, quite apart from the risk of a ‘hard landing’ from the property boom (FitzGerald 2009, p.7). Yet ministers for Finance have tended to adopt the stance associated with Fianna Fáil minister Charlie McCreevy when, coming up to the 2002 general election, he dismissed cautionary advice by saying: ‘if I have it, I spend it’. In contrast, the Scandinavian countries were accumulating significant budget surpluses during much of the 2000s. These countries needed no persuasion that ‘this time is *not* different’ (Reinhart and Rogoff 2009), having recovered from painful financial collapses during the 1990s. Like many Asian countries in the wake of their financial crisis in 1998, they accumulated strong financial reserves against the possibility of any recurrence of these hard times.

A number of OECD countries have rules to keep fiscal planning within specific parameters (OECD 2009). Ireland adopted stronger fiscal rules during the process leading to membership of the Euro, such as preparing medium-term fiscal estimates and devising multi-annual budget projections. But among OECD countries, Ireland stands out as having the least constrained political processes for fiscal decision-making, and the most autonomous Ministers for Finance (Hallerberg, Strauch and von Hagen 2009). As noted earlier, this may be advantageous if firm corrective action is required and government is committed to achieving it. But the corollary is that there are few restraints on the Finance Minister on the high-road to fiscal profligacy either.

But fiscal rules are problematic, as the experience of the Stability and Growth Pact targets shows. The problems with enforcing their own fiscal rules have led a number of countries to deepen and broaden the analysis that lies behind their official fiscal measures, through the establishment of fiscal councils. A summary profile of fiscal councils is set out in Figure 10 below.

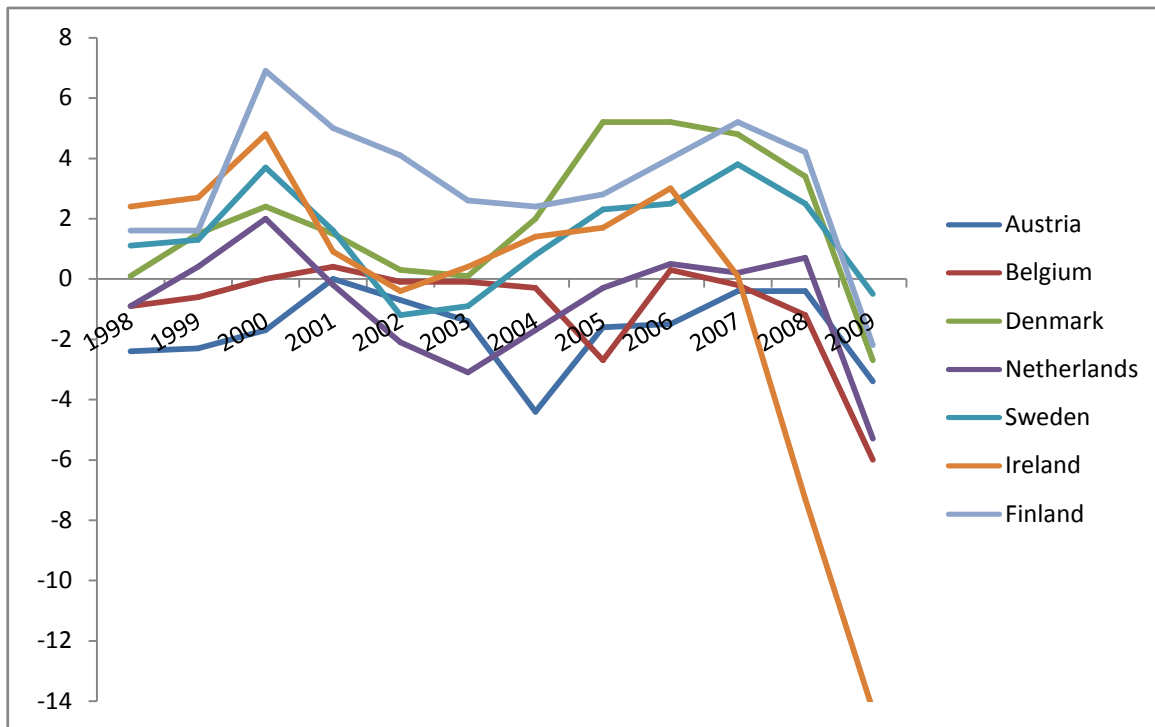
**Figure 10 – Fiscal councils**

Country	Name	Status	Role	Established
Austria	Public Debt Committee	Funded by the Central Bank	Provides recommendations on the direction of fiscal policy	2002
Belgium	High Council of Finance	Chaired by Minister of Finance; has external representatives	Sets medium term objectives for regional and national budget deficits, which form the basis for government negotiations	1989
Canada	Parliamentary Budget Office	Parliamentary advisory body	Provides independent analysis to Parliament on government's estimates and economic trends; costs specific proposals on request	
Denmark	Economic Council	Economic advisory body with 26 members representing unions, employers, the Central Bank, the Danish Government, with independent economic experts	Prepares economic reports and forecasts on a range of issues including fiscal policy	1962
Hungary	Fiscal Council of the Republic of Hungary	Independent state institution	Prepares macroeconomic forecasts to inform budgetary decisions; advises on fiscal planning within the context of fiscal rules	2009
Netherlands	Netherlands Bureau for Economic Policy Analysis	Independent research institute	Provides economic and fiscal forecasts as inputs into the budgetary planning process. On request, will evaluate election programmes. Economic expertise over other issues such as labour market reform	1945
Slovenia	Fiscal Council	Independent advisory body	Provides assessments of the public finances	2009
Sweden	Fiscal Council	Eight members, plus a secretariat, chaired by an academic economist	Provides an independent evaluation of the Swedish Government's fiscal policy	2007
UK	Office for Budget Responsibility	Three-members, supported by a small secretariat of economists and public finance experts redeployed from HM Treasury	Makes independent assessments of the public finances and the economy, assesses the public sector balance sheet	May 2010
USA	Congressional Budget Office	Advisory body to the Congress	Provides objective and impartial assessments ('scoring') of policy proposals; assesses the likely path of deficits and debt into the medium term	1974

Source: Simon Wren-Lewis, Fiscal Councils. <http://www.economics.ox.ac.uk/members/simon.wren-lewis>

The most robust and longest-established fiscal councils are found in those countries that also have strong legislative checks and balances; Britain only adopted a fiscal council after the election of the austerity-oriented Conservative-Liberal Democrat coalition in summer 2010. Yet there is no guarantee that the mere presence of a fiscal council will either prevent deficits or ensure effective counter-cyclical measures, as Figure 11 indicates. Their effects are mediated through other political and institutional features of their respective political systems.

**Figure 11. Fiscal deficits over time**



Source: Eurostat, General government deficit and surplus as % GDP. Accessed 23 April 2010

Analysis of the independent role that economic ideas might play in shaping political outcomes suggests that ideas can play a ‘real but limited’ role – not in shaping the policy objectives, but in influencing the instruments used to achieve these ends (Lindvall 2009, p.703). Normative debates about competing ends are more appropriately left to elected politicians to negotiate. However, when there are competing ideas in play about the most appropriate course of action to achieve those objectives, a great deal seems to depend on the interplay between political and academic actors within the ‘knowledge elite’, and the discursive power that professional economists can exercise to frame the terms of debate one way rather than another (Mandelkern and Shalev 2010, pp. 473, 488). Institutional reform could bring about a more nuanced debate that is informed by both normative principles and technical analysis.

## 5. CONCLUSION

The financial and fiscal crisis in Ireland has not produced a crisis of the political system, though it has presented serious new challenges that the political system must deal with. The consequences of the crisis will pervade Irish public life for many years to come.

A number of aspects of Irish public life, public administration structures, and decision-making systems have long been known to be defective and in need of reform. But some of the most popular remedies, such as electoral system reform, may not be the ones meriting the highest priority. Hence the need for a reflective debate on what we think is wrong and where we want to go. Even within existing institutional arrangements, there is much scope for doing things better. This paper has suggested that appointment to government needs to be less tightly controlled by party politics, and that the quality of democratic accountability through parliamentary structures needs to be greatly strengthened. It has suggested that it is not appropriate simply to seek to abolish state agencies, but that achieving joined-up government requires some serious reform. It has proposed that the pervasive tendency toward pro-cyclical fiscal policy should now be systematically addressed and countered through institutional reform, in addition to the heightened external scrutiny that will be imposed by the EU. Before we undertake institutional and political reform, we must first ensure that our analysis of the problems is appropriate. Unless we get that right, we can reform things all we like, but we won’t make them any better.

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